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SUBJECT: AREAS FOR POTENTIAL U.S.-EU COOPERATION ON CHINA

¶1. (SBU) SUMMARY: The U.S. and EU share strong interests in coordinating economic engagement with China over a broad range of sectors, including health and safety, competition, ICT policy, trade, IPR and investment concerns. The EU is working with China actively in these areas, and seeks greater cooperation with the U.S. in dealing with China across the board. EU officials believe that presenting a united front to the Chinese is more effective than pursuing goals bilaterally and can avoid overlap and duplication of effort. European Commission officials from a variety of sectors argued that persistence is key when negotiating with the Chinese, who consistently take long term outlooks to economic and social issues. European Commission staff suggested several areas for improved sharing of information and coordination of efforts. END SUMMARY.

PRODUCT SAFETY DISCUSSIONS: A MODEL FOR OTHER SECTORS  
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¶2. (SBU) Existing trilateral discussions among the U.S., China and the EU on product safety are perhaps the best example of U.S.- EU cooperation regarding China, and the European Commission would like to see this cooperation deepen. U.S. Consumer Product Safety Commission (CPSC) Acting Chair Nancy Nord and European Commission Director General of Health and Consumer Protection (SANCO) Robert Madelin jointly visited China to discuss quality assurance for toys and electrical equipment in September 2008; this dialogue was continued in a trilateral meeting with CPSC Acting Chair Nord and Consumer Protection Commissioner Meglena Kuneva with their Chinese counterpart, General Administration for Quality Supervision, Inspection and Quarantine (AQSIQ) Minister Li in Brussels in November 2008. A follow-up meeting is expected in 2009. In addition, China participated in the November, 2008 1st International Risk Assessment Conference, hosted by DG SANCO with the support of OMB. Discussions among the EU, U.S. and Chinese are ongoing, with a formal follow-up expected in 2009, perhaps in China.

¶3. In a meeting at SANCO with EconOff on February 11, the EU Policy Officer for Consumer Strategy, Representation and International Relations Bartosz Hakbart described several areas where the EC would like to work more closely with the U.S.

a. Increased DG SANCO - Federal Trade Commission (FTC) cooperation on a variety of issues, including trade with China. FTC and DG SANCO have regularly scheduled video conferences. DG SANCO has a mandate from the European Council to try and improve cooperation with the FTC.

b. Exchanging information -- The Consumer Product Safety Improvement Act of 2008 gave authority to the CPSC to share information with foreign governments for purposes of

investigating and/or engaging in enforcement proceedings related to possible violations of its laws, if agreed to in an appropriate memorandum of understanding. DG SANCO would like to reach agreement with USG on meeting the requirements for sharing this type of information regarding Chinese products. According to Hakbart, the majority of consumer goods sold in the EU that involve safety problems either are proven or are suspected to be Chinese imports, and these goods are often shipped simultaneously to the U.S. and the EU. Under current rules, the EU and U.S. inform each other officially about safety issues at the same time as this information is released to the media. Earlier notification could allow both sides to contribute to investigations, and get messages out sooner to consumers about potentially dangerous products.

c. Coordinated study visits - Chinese leaders frequently travel to the EU and U.S. on programs to learn about best consumer safety practices. EU and U.S. officials, for their part, travel to China to provide training and technical advice. Sharing information about these visits and coordinating them when possible, said Hakbart, would help to reinforce common messages.

#### FOOD SAFETY -----

14. (SBU) DG SANCO also handles food safety issues and threats to public health. In a February 4 meeting with EconOff, the DG SANCO Team Leader for International Relations for Public Health Canice Nolan said the Commission would like to work more closely with the U.S. in both these areas. From

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a public health perspective, Nolan stressed, the EU's primary concern is the possible appearance of pandemics originating in Asia, such as more infectious strains of Avian Influenza (AI) or new outbreaks of severe acute respiratory syndrome (SARS). The Commission wants increased transparency, better timeliness of reporting, and improved exchanges of best practices and technical advice with China, and welcomes our cooperation in all these areas.

15. (SBU) Nolan also thinks there is room for improved cooperation in the area of food safety. SANCO already has informal cooperation with both FDA and CDC on these topics, but the EU wants better mechanisms in place to share information more quickly and efficiently. The embedding of FDA staff at the European Medicines Agency in London, the European Food Safety Agency in Italy, and the placing of an FDA Attache at USEU Brussels over the next few months should move this process forward.

#### COMPETITION AND TECHNICAL ASSISTANCE -----

16. (SBU) At DG Competition (DG COMP), EconOffs met on February 13 with Policy Officer for International Relations Torben Toft and Desk Officer for Formulation of International Competition Policy Holger Dieckmann to discuss cooperation in the areas of merger and antitrust policy. Toft said that Chinese officials are still learning about international competition practices, noting that the new Chinese anti-monopoly law just came into effect in August 2008, and its new anti-monopoly agency is still being established. He explained that Chinese officials have studied U.S. and EU competition law carefully, "cherry picking" what suits them from each system.

17. (SBU) Toft added that the U.S. and EU have for several years sent technical advisers to China to provide training and hold conferences on anti-trust and anti-monopoly policy. Both the EU and U.S. also bring Chinese officials to their respective capitals for additional competition exchanges. Coordinating these events could help to reinforce messages, prevent the Chinese from playing the U.S. and EU off against

each other, and save resources for both sides by eliminating unnecessary duplicate trainings. Toft noted DG COMP,s interest in working with the U.S. to get China to take measures needed for it to join the International Competition Network (ICN), which would move Chinese antitrust practices closer to the international norm.

#### INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS

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¶18. (SBU) At DG Information, Society and Media (DG INFSO), EconOff met with the Deputy Head of Unit for International Relations Maria Carbone, Head of Section for India and China Jean-Yves Roger, and International Relations assistant Anne-Marie Vesdrevanis on February 4. They insisted on the need for the EU and the USG, as well as U.S. and EU business communities, to present a common front against Chinese protectionism. They discussed the January announcement by the Chinese government to further develop third generation (3G) telecommunication networks, and the opportunities this offered for U.S.-EU cooperation. They expressed concern that the Chinese will claim publicly to allow foreign companies to compete in this new market, but secretly work hard to keep them out. They noted that already, while China has 13000 licensed Value added Telecom Services, fewer than 50 foreign companies have been granted one of those those licenses. They saw the same pattern emerging with the 3G licensing process, when Chinese Premier Wen Jiabao claimed during his January 30-February 2 visit to Europe that while foreign companies were free to apply for 3G licenses, none has shown interest.

¶19. (SBU) The INFSO staff discussed Chinese insistence on monitoring and controlling access to the Internet. In particular, they are focused on their requirement that all computer encryption devices within China be of Chinese manufacture. Carbone noted that Commissioner for Infomation, Society and Media Viviane Reding has frquently and publicly denounced Chinese censorship of the internet, which has created a strained relationship with her Chinese interlocutors.

#### PLENTY OF ROOM FOR ADDITIONAL TRADE COORDINATION

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¶10. (SBU) EconMinCounselor met February 3 with Director General for Trade Mauro Petriccione to discuss, among other topics, areas of high level cooperation with the U.S. in China. Petriccione described U.S.-EU cooperation on Chinese trade issues as well-developed, and the need for further cooperation as well-articulated, because China is our most intractable trade partner. He said that he saw no "magic solution" to the this problem, and stressed the need for consistency and perseverance in pushing for US-EU common goals in China, forgoing any "flashy" short term political achievements.

¶11. In the past, U.S. -EU cooperation on trade with China was focused on reducing the trade deficit, especially by trying to encourage Chinese imports and consumption. However, the economic crisis is helping to take care of that problem by reducing U.S. and European demand. The primary focus now is countering threat of protectionism. The U.S. and EU need to ensure the publically-funded recovery packages are not exclusively domestic.

¶12. (SBU) Petriccione wants to reach out to the leaders of the U.S. Strategic Economic Dialogue, and to host the new USTR and other key trade officials, as soon as they are all in place. He is eager to build the same level of cooperation and trust that the EU enjoyed under the previous administration.

¶13. (SBU) Petriccione said he feels China is invested in the WTO, but is not deeply concerned about its success in the

short term. If the current problems with the Doha Round threaten to damage the WTO system, China would step in and use its maximum influence to prevent such damage. He warned against believing that China has significant influence over India, or that India stands alone on the issues that brought the Doha Round to a halt in summer 2008.

¶14. (SBU) The existing U.S.-EU IPR enforcement working group, which was established in 2006, has highlighted our joint efforts on China. The working group has produced joint training activities in Beijing in 2008 and other commitments to prod China toward stronger IPR protection. The working group will continue to make IPR support for China a priority.

#### INVESTMENT DIALOGUE DISCUSSES CHINESE INVESTMENT BARRIERS

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¶15. (SBU) Also, the U.S.-EU investment dialogue, (established in 2007), which is led for the U.S. by the Treasury Department and USTR and for the EU by DG TRADE, is discussing Chinese and other third country investment barriers. A forthcoming investment dialogue videoconference will focus exclusively on discussion of Chinese investment barriers, considering strategies for joint approaches and identifying next steps.

#### COMMENT

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¶16. (SBU) COMMENT: The U.S. and EU share the world's most important economic relationship, based on common interests and common values. The bilateral U.S.-China and EU-China relationships are also critical to the global economy, but can be more challenging due to diverging cultural, economic and political interests. The EU is anxious to improve cooperation with the U.S. on China on a broad range of economic issues. U.S. - EU cooperation in areas of product safety, trade policy and market access when dealing with China is already good, but there are areas for improvement here and in competition policy, ICT, IPR, investment and other sectors of the economy. Commission officials believe that presenting a united front to the Chinese is more effective than pursuing goals bilaterally, and may avoid overlap and duplication of effort in providing technical assistance and training. Commission officials from a variety of sectors argued that persistence is key when negotiating with the Chinese, who consistently take long term outlooks to economic and social issues.

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